

# The *Value for Money* Discourse: Risks and Opportunities for R4D

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## Executive Summary

The increased emphasis on value for money (VfM) within international development represents both a challenge and a significant opportunity for research-focused organisations. This report seeks to provide a neutral assessment of VfM, informing and contributing to the larger on-going conversation regarding the most appropriate and effective way for the research for development (R4D) community to engage with the emerging discourse. Effective engagement requires understanding the background to VfM, how it has emerged, its various interpretations within the international development community, and the potential positive responses for those working in R4D.

There is ambiguity in the VfM discourse regarding the most appropriate way to define the concept and this is partly linked to the uncertainty regarding the implications of the term. Some development practitioners utilise VfM to denote a substantive shift in mentality and practice, while others view it as the latest terminological iteration within a broadly unchanged system. Alongside this is a related but distinct categorisation: the different levels of enthusiasm or critique with which organisations are responding to VfM. These can be grouped into six approximate and emerging groups: the leading advocates for VfM, the willing participants in VfM, those with an unclear stance to VfM, those providing a pragmatic response to VfM, those working to reinterpret VfM on their own terms, and those in direct opposition to dominant definitions of VfM.

This situation provides R4D organisations with a range of potential positive responses. Far from being threatened by VfM, investing in R4D is the primary means by which VfM can be genuinely achieved. While the validity of R4D is not inherently threatened by the VfM discourse, its prominence does require new creative forms of engagement. The R4D community needs to learn to demonstrate the unique value of research in tackling the factors that stifle social, economic and political stability and inclusive growth. The report offers four initial ways in which this may be explored.

- First, the R4D community can learn from the way in which other ‘hard-to-measure’ contexts within international development have engaged with VfM such as advocacy, fragile states, capacity building and governance.
- Second, there is valuing in drawing linkages between VfM and articulating the Theory of Change (ToC) for R4D. ToC has significant current traction in the discourse and subsequent outworking

of international development practice. Considerable work has been undertaken to explain the relationship between ToC and VfM.

- Third, much can be learned from the practice of several leading international non-governmental organizations (INGOs) who have adopted a proactive approach to the VfM discourse by interpreting and articulating it in their own independent terms, seeking to provide clear parameters and processes in keeping with their values.
- Fourth, there may be an opportunity to consolidate the importance of R4D by transitioning to a VfM assessment process which is primarily based on portfolios rather than individual programmes, and embraces risk, recognising that failure is a vital part of improvement.

Creative and proactive engagement is necessary in order to demonstrate and articulate the value of R4D in the language of VfM. The construction of a compelling evidence-base for sustained investment in international development is ultimately found within effective R4D. Thus the emphasis on VfM provides a perhaps unexpected opportunity for the R4D community to demonstrate its own value in achieving holistic development objectives.

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## Acronyms

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BER	Basic Efficiency Resource
CBO	Community Based Organisation
CIDA	Canadian International Development Agency
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DFID	Department for International Development
GDP	Gross Domestic Product
GNI	Gross National Income
GSDRC	Governance and Social Development Resource Centre
ICAI	Independent Commission for Aid Impact
IDRC	International Development Research Centre
IE	Impact Evaluation
INGO	International Non-Governmental Organisation
JICA	Japan International Cooperation Agency
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
NAO	National Audit Office
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODC	Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development

PPA	Programme Partnership Arrangement
R&D	Research and Development
R4D	Research for Development
RoI	Return on Investment
SIDA	Swedish International Development Cooperation Agency
SRoI	Social Return on Investment
ToC	Theory of Change
USAID	United States Agency for International Development
VfM	Value for Money

## Introduction

This study provides a resource for the ‘Research for Development’ (R4D) community that IDRC supports and operates within. It explains the Value for Money (VfM) ethos and contributes to the on-going efforts of the R4D community to better understand, respond to, and articulate value within this significant emerging discourse. The increased emphasis on VfM represents both a challenge and a significant opportunity for research-focused organisations working in international development. In order to engage effectively with this it is necessary to understand the background to VfM, how it has emerged, and its various interpretations within the international development community.

The paper seeks to provide a neutral and nuanced assessment of VfM, informing and contributing to a larger on-going conversation regarding the most appropriate and effective way for the R4D community to engage. This is particularly pertinent because of current discussions regarding the positioning of R4D within the post-2015 architecture for aid and development (UNDP 2012). In light of this, the study has three main objectives:

- Profile the VfM ethos and examine its origins, the spectrum of interpretations, the main proponents and opponents, and the implications for donor funded research-led organisations.
- Explore the different responses that organisations have made to VfM and consider the practical implications for the R4D community.
- Understand the ways in which the R4D community can approach communication, contribution and programming with language and evidence that is compelling within the VfM discourse.

The study begins by focusing on the VfM ethos, how it has developed and come to increased prominence within international development. It considers the definition, implications and varied responses to VfM. Following this, the focus moves to the international donor community, mapping the way that different donors currently engage with the ethos. The report then engages with four different themes that might help the R4D community respond to VfM, before closing with avenues and questions for further research.

The two components of research which inform the study are a literature review and interviews with key stakeholders. The literature review includes policy documents, academic articles, press releases, books and newspaper articles. A list of all the resources used in the literature review is included in the bibliography. Interviews were conducted with six staff from international organisations involved in VfM in R4D: three economic advisors from bilateral donors, two NGO advisors, one staff member of IDRC. Some of the interviewees requested anonymity and others were happy to be quoted by name. For the sake of consistency, all are quoted anonymously.

Summary table: The current context of VfM and R4D	
What is the current situation with VfM and the R4D community?	There is a growing emphasis among key stakeholders within international development on monetising and quantifying impact, leading to increased need to justify and demonstrate the value of R4D in these terms.

<b>Summary table: The current context of VfM and R4D</b>	
What are the major implications of VfM for the R4D community?	Funding is increasingly dependent upon demonstrating time-bound direct impact at the lowest possible cost per beneficiary. This requires proposals with direct links between research and outputs, indicating that costs are competitive and based on best-practice models.
What can be done to engage with this?	Creative and proactive engagement is necessary in order to demonstrate and articulate the value of R4D in the language of VfM. The provision of a increased evidence-base across international development is ultimately found within effective R4D. Thus the emphasis on VfM provides opportunity for the R4D community to demonstrate its own value in providing a good Return on Investment (RoI) on achieving development objectives.

## 1. The VfM ethos

### 1.1 The development of VfM in society

Significant ideological and practical transitions have occurred across European and North American society over the last 50 years towards increased emphasis upon fiscal accountability, return on investment (RoI) and quantifiable targets and indicators of impact. These macro-level trends have each contributed to the emergence of VfM and its position of current prominence. The specific notion of VfM originates from the audit profession (GSDRC 2010) and has risen to prominence embedded within the increased culture of auditing across society (Power 2007). The term is now common parlance in both the private and public sectors and is becoming synonymous with accountability and transparency.

VfM has also emerged as a strong tool for engaging in the complexities of on-going global economic challenges. Various governments have utilised VfM assessments as a means by which to reduce what is perceived as excessive earlier public spending, and to rebuild trust in public institutions. It has become the term of choice when prominent figures, in both the public and private sectors, wish to demonstrate (to the electorate or shareholders respectively) that they are working to reduce risk, curtail unnecessary spending and avoid the waste of funds. In light of these things, the various manifestations of VfM are likely to remain at the top of the political agenda for the foreseeable future (Tibbitt 2011).

### 1.2 International development and VfM

The increasing significance of the VfM ethos across society has complex and contested implications for the way international development is both conceptualised and practiced. At the broadest level, commentators have suggested it is linked to the way international development is increasingly influenced by pre-determined indicators, assumed universal applicability (Kleine 2009), and greater emphasis on transactional approaches, quantifiable objectives and short term RoI (Edwards 2009). More specifically, the GSDRC (2010 p.2) assert that the development of VfM within the international development community is linked to 'the push for accountability of government spending and aid effectiveness' and that this contributed to the emphasis on and the widespread 'adoption of results-

based management (RBM) or managing for development results (MfDR)' (GSDRC 2010 p.2, also see Gulrajani 2011).

This is connected both with the long-term academic and societal scrutiny of aid overall, and with the proliferation of NGOs in 1980s and 1990s leading to a desire to appraise their effectiveness as vehicles of development. This trajectory influenced the formation of global collaborations such as the Good Governance Agenda, and the Paris Declaration on Aid Effectiveness (2005). Indeed, Scott *et al* (2012 p.2) argue that the current emphasis on efficiency and cost-effectiveness can be traced to the Paris declaration in 2005, and has spread virally across the world since the economic turmoil of 2008: 'In the prevailing climate of the scrutiny of public service expenditure, the concept of VfM ... conveys their explicit commitment to ensuring the best possible results are obtained from money spent'.

As noted by OCED (2012 p.1), there is an increasing expectation on aid agencies to demonstrate their accountability to those providing their revenue, ultimately the tax payers. This links to the need to counter the claims of development sceptics with a clear evidence base. As they explain: 'a number of aid sceptics have claimed that aid does not work, is wasteful and should be downsized or abolished ... although these claims may not always be based on evidence, strong evidence is needed in order to demonstrate that aid is valid and managed well, and that those in charge of aid are constantly seeking to make it work better.'

This is inevitably exacerbated by the context of slowing economic growth. Across many parts of the world there is increasing pressure on governments to justify the decision to maintain and ring-fence aid budgets (Emmi *et al* 2011). This pressure is felt internally by donors who are subject to increasing accountability internally, and push that onto their recipients. In various countries, the consequences of economic pressures have been exacerbated by scandals regarding aid budget and spending (Gilligan 2012, Hope 2012) and the resulting pressure from media (Maxwell 2012) for increased accountability. Erik Solheim, chair of the OECD's DAC, argues that one consequence of these changes is that 'after the global economic crisis donors are becoming more risk averse ... they are being afraid of being criticised back home' (Solheim 2013, cited in Tran 2013), the implications of this for R4D are returned to later in the study. Through all of this, it is clear that for donors such as DFID, promoting VfM is now firmly established as the strategy for justifying on-going spending (Norton 2012). This means that, alongside its prominence across society (Tibbett 2011), VfM is likely to remain at the top of the international development agenda for the foreseeable future (Gilligan 2012, Hope 2012).

Finally, it is worth noting that VfM is not a new indicator and has been used explicitly in international development for at least a decade (Poate and Barnett 2003). However, the important issue is the extent to which it has recently risen to prominence as the primary determining factor in assessing effectiveness. It is now often perceived as the inevitable or natural trajectory in an environment where there is both increased attention on the tightening of procurement practices and procedures, and at the same time is an advanced interest in rigorous evaluation of outputs and outcomes, and in developing methodologies that facilitate this.



### 1.3 Defining VfM

*'Good value for money is the optimal use of resources to achieve the intended outcome.'*

VfM is a term utilised by multiple stakeholders within international development in a variety of different contexts. It is employed by small CBOs and large bilateral donors. Within any given development programme, the term may be found in relation to planning, appraising, managing performance, evaluation criteria, and as a consideration for funding decisions. When the same terminology is used in such a range of different contexts it is inevitable that there will be a degree of contestation and confusion regarding appropriate definition.

The United Kingdom and DFID are often referred to as leaders in using and defining VfM (OECD 2012). Indeed, the most widely cited explanation of VfM comes from the National Audit Office (NAO) of the United Kingdom (NAO 2012). They state that: 'good value for money is the optimal use of resources to achieve the intended outcome.' The NAO build on this brief definition by offering the three E's of economy, efficiency and effectiveness as the three means by which to ensure VfM. These three components of economy, efficiency and effectiveness, together provide the building blocks for VfM-based decision making.

**Economy** is a measure of costing inputs and resources: what goes into providing a service or an intervention (unit costs are typically used as a measure of economy). This should consider the costs of inputs (such as acquiring, running and disposing of assets or resources) throughout the whole life of the service or intervention.

**Efficiency** is a measure of productivity: how much you get out in relation to what you put in. This is the relation between inputs and outputs and the different routes by which to achieve intended outcomes, maximising an output for a given input, or minimising input for an output.

**Effectiveness** is a measure of the relationship between intended and actual results . It incorporates qualitative and quantitative measures for demonstrating change and programme ability to deliver intended objectives.

(definitions adapted from NAO 2012, Barnett, 2010, BOND 2012)

The GSDRC (2010) assess the differing ways in which donors are using the VfM terminology. They suggested in 2010 that DFID are the most obvious advocates of VfM and, at that time, were the only donors frequently referring to the term, with a specific VfM department working to develop the concept. Similarly, the OECD credit DFID with pioneering the VfM approach. The emphasis within DFID can be linked to their longstanding commitment to 'significantly increase accountability' for funds (DFID 2006) most clearly articulated in the 2009 White Paper (DFID 2009) where the plan to ensure VfM was outlined under three broad objectives: allocating UK aid where it has most impact; increasing transparency, scrutiny and accountability; and improving efficiency. More recently, it has become clear that the adoption of VfM is 'part of the Structural Reform agenda for DFID and forms part of wider organizational changes initiated in DFID following the election of the Coalition Government in May 2010'

(Barnett *et al* 2010 p.4). Central to this is the relationship between VfM and the ‘business case’ that has to be present in all DFID-related proposals (DFID 2011a, DFID 2013, DFID 2013a).

The recent DFID draft articulation (2012a) of a new approach and stand in independent evaluation provides the most coherent account of DFID rationale for VfM. In the most comprehensive current articulation of what VfM means for the way in which DFID (2011) seek to operate, they explain that:

*‘VfM doesn’t mean we only do the cheapest things ... The purpose of the VfM drive is to develop a better understanding (and better articulation) of costs and results ... so that we can make more informed, evidence-based choices. This is a process of continuous improvement ... We don’t just do the easiest things to measure, but the agenda does mean we have to get better at measuring.’*

Another significant definition comes from the OECD (2012) who states that VfM is ‘the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user’s requirement’. They agree that it can be assessed using the criteria of economy, efficiency and effectiveness but emphasise the way in which it requires ‘striking the best balance between the three E’s’. They go on to identify a fourth ‘E’ of ‘equity’ that is now increasingly used to ‘ensure that value-for-money analysis accounts for the importance of reaching different groups.’ (OECD 2012)

Among many bilateral donors there is notable lack of explicit definitions of VfM – with many of those that make regular use of the term appearing to consider its meaning to be self-evident. An example of this is the way in which AusAID, whilst explicit in the aspiration to provide VfM (Howes 2013), do not have an easily accessible VfM definition explaining how its programmes operate in response (Jayasuriya 2013), limiting their explanation of VfM to a commitment to ‘balance effectiveness, efficiency and economy in decision-making’ (AusAid 2012 p.8). Similarly, DANIDA have a clear and longstanding commitment (DANIDA 2007) to secure VfM as a foundational component of the Danish development policy (DANIDA 2011) and yet do not have an accessible detailed definition of what they consider it to entail. A notable exception to this lack of clear definition comes from NZAID (2011 p.1) who are explicit regarding their understanding of VfM. They explain that it means ‘achieving the best possible development outcomes over the life of an activity relative to the total cost of managing and resourcing that activity and ensuring that resources are used effectively, economically, and without waste.’ On a related note, it is interesting to observe how several major bilateral donors are currently commissioning large-scale studies to explore how VfM affects them and how they can respond appropriately (such as the work of DARA with SIDA, 2013).

There was a notable lack of reference to VfM in the Busan Partnership document (2011, the outcome document of the Fourth High Level Forum on Aid Effectiveness) and this led to on-going questions and some concern regarding about how emerging donors (BRIC and others) plan to engage with, interpret and implement VfM (Kim 2012). Among this group, of particular interest is the way in which South Africa has taken a proactive approach and chosen to emphasise development investments into science, technology and research as ‘inherently VfM’ (Nakabugo 2012). It is also noteworthy that South Africa has chosen to approach the definition of VfM as a mutual, negotiated process between the donor and the recipient country.

Concord is the European NGO confederation for relief and development, representing the views of European NGOs such as Action Aid, Oxfam, World Vision and others. Concord (2011) calls for European Union member states to provide clear definition of precisely what they mean when they refer to results-based management terms associated with VfM. They argue that the current ambiguity surrounding VfM makes it difficult for their member organisations to plan effectively.

In light of this, international NGOs are also actively involved in the evolving definitions of VfM (this is explored later in more depth through the example of the UK-based charity, Christian Aid). An example of this is the way Save the Children has contributed to the definition of VfM through calling for a clarification between its different forms. Capillo (2013 p.1) notes their emphasis on economic vs. operational VfM 'the former as economic benefit coming from the implementation of the programme, the latter as the intrinsic value of the service (often having a public nature) provided by the activity (having better quality education is good per se, not dependent on the cost of provision)'.

The evolving nature of VfM definitions leads to confusion regarding how it should be interpreted and applied in practice. This has been seen to result in frustration for those seeking to implement programmes on the basis of VfM guidelines. However, it is important to recognise that the lack of definition is not often an intentional strategy but rather a reflection of the reality donors are themselves engaged in. This situation is encapsulated well by an economic advisor from DFID who was asked in interview why DFID were not providing more guidance on how VfM is operationalised:

*The reason DFID hasn't given more guidance on VfM is because it is not just one system – you are never going to have a framework that works for everyone, it is a constant critical robust appraisal of why you're doing what you're doing. There are lots of different definitions of VfM. It is not a science – it is a critical appraisal of everything.*

This recurring theme, exemplified through the quotation, has led various actors to adopt a pragmatic, flexible approach to engaging with VfM. A clear example is that of BOND (2012 p.4), who seek to equip NGOs to respond effectively by providing clarity to the VfM agenda. They emphasise that while often misunderstood, VfM is ultimately a simple idea:

*'VfM is a frequently misunderstood term, largely due to its association with complex econometric calculations and tools. While these can be useful in some contexts, at the heart of VfM is a much simpler idea: when designing and implementing an intervention, compare the costs and benefits of different options and make a defensible case for why the chosen approach provides the best use of resources and delivers the most value to poor and marginalised people.'*

Finally, it is also possible to gain increased clarity regarding the meaning of VfM by considering the wide range of closely associated terminology that forms an integral part of standard donor appraisal and evaluation procedures. Indeed, although there are few explicit listings of VfM tools by donors, GSDRC (2010) note the way that ADB, CIDA, USAID and other donors have each articulated that they consider

the adoption of results-based management tools as a means by which to ensure good VfM. A current selection of these is outlined in the box below. It is clear that these broadly fit under the umbrella term of 'performance management tools' and have a particular focus on enabling evaluation and impact assessment.

The wide range of performance management tools used by donors for conducting activities related to VfM include:

- Performance measurement framework and performance reviews (used by CIDA, Danida, USAID)
- Results-based management (CIDA 2011)
- Logic models (used by CIDA, see CIDA 2011)
- Corporate results frameworks (used by ADB)
- Results monitoring systems (used by World Bank)
- 'Plan, Do, Check, Act' cycle (used by JICA),
- Risk register (used by CIDA, see CIDA 2011)
- Cost benefit analysis (used by USAID, see USAID 2010)
- Performance measurement framework and risk register (CIDA 2011)

### **The VfM journey for DFID: NAO and ICAI**

On his appointment to UK Secretary of State for International Development in May 2010, Andrew Mitchell made an explicit commitment to the electorate (DFID 2010a): 'My top priority will be to secure maximum value for money in aid through greater transparency, rigorous independent evaluation and an unremitting focus on results.' This narrative was reaffirmed by Justine Greening, the current Secretary of State for International Development (as of September 2012) who pledged to continue the ring-fencing of the aid budget while working to 'tighten oversight' of spending (Tran 2012, Norton 2012). The expanding role of audit is a central factor in the increased adoption of VfM in DFID. Understanding this requires an appreciation of the role of the NAO and the establishment of the ICAI.

Firstly, the UK NAO is an independent body that is not aligned with Parliament and is guided by its vision (NAO 2012a) 'to help the nation spend wisely'. It 'scrutinises public spending on behalf of Parliament, helping it to hold government departments to account... focused on three areas that impact on all departments' performance in achieving value for money: improving financial management and reporting; making better use of information; and ensuring that services are delivered cost-effectively' (2012a). The NAO (2012b) have a simple definition of good VfM as 'the optimal use of resources to achieve the intended outcomes.' The challenge for DFID, and all those that engage with them, lies in translating the language of audit and process into something that international development practitioners know how to respond to.

Secondly, the ICAI is an independent body, representing the taxpayer, established in order to hold DfID accountable to their VfM agenda. DFID (2012a p.1) note that the establishment of the ICAI marks 'a radical change in the UK's architecture ... a model which sets new standards for independence with a focus on value for money and results.' The ICAI (2011, 2011a) is clear in their mandate and objective, explaining that they 'adopt a pragmatic approach to getting to the heart of whether UK aid is fit for purpose and whether it is being used to tackle the most important issues'. They go on to note that the way of operationalizing this is to 'test programmes on the ground and to meet intended beneficiaries in order to assess what impact aid is actually having.' (ICAI 2011, p.1) The ICAI maintains a relatively broad approach to engaging with VfM and utilise a broad set of guiding criteria when reviewing projects. Their approach includes the following seven guiding principles (ICAI p.10):

- The intended beneficiaries come first
- Aid should always be delivered with sustainability in mind
- What matters is not always easy to quantify
- Waste and corruption must be addressed robustly
- Demonstrating value for money does not necessarily mean choosing the cheapest option
- Well-managed risk-taking is to be encouraged
- Transparency and accountability matter

The approach to assessing VfM adopted by the NAO and ICAI has a direct and strong influence on the operational decisions of DfID. It therefore has the potential to be a useful tool in articulating value in the R4D community, as expressed clearly in an interview with a DfID economic adviser:

*‘With researchers we want to use VFM to push them towards thinking about how the research will be used, how it will deliver, planning the uptake, thinking about how the learning goes back into the process. I really like the ICAI (2011) four questions to use in contexts where it is difficult to monetise the results chain. This is our key, answering these questions. The key selling point for research is that “research makes aid more effective”. This is because of the full system, take the example of bed nets for malaria – we need research into what are the best types of bed nets but we also need research into the wider healthcare environment and act accordingly if we are going to have maximum impact. Research comes together for maximum impact when you have systems and governance – how to research the technologies and the systems.’*

#### 1.4 Varying interpretations of VfM

The ambiguity regarding the most appropriate way to define VfM is in part linked to the associated uncertainty regarding the implications of the term. A range of contrasting and sometimes conflicting perspectives co-exist regarding what VfM actually means for development practitioners and policy makers. One reason for this is that VfM is utilised by some to denote a substantive shift in mentality and practice, and by others as the latest terminological iteration within a broadly unchanged system. This latter perspective is well articulated by Scott et al (2012 p.15), asserting that, in terms of practical application, VfM ‘is near indistinguishable from earlier tools that have been used to analyse and benchmark the performance of development programmes for some time’. These perspectives are illustrated briefly in the table below.

The spectrum of perspectives on VfM	VfM changes very little: it represents new terminology to express old messages	VfM changes some things: it is partly new and partly old	VfM changes everything: it represents a completely new emphasis
	The latest terminological iteration for something that has always existed. It is the equivalent of rigorous M&E and impact assessment as long term emphases within	Increased emphasis on budgeting, results-based management and ensuring efficient performance, but retaining continuity with previous emphases within international	Completely new discourse, driven by privatisation and audit culture infiltrating international development and resulting in a radical new monetised

	international development work.	development.	approach to assessing change / value and ensuring RoI.
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Alongside this is a related but distinct categorisation: the different levels of enthusiasm or critique with which organisations are responding to VfM. The table below separates these into six groups. This is done with the clear caveat that organisations can reflect and represent multiple realities simultaneously and within many organisations there are multiple, contrasting perspectives on appropriate responses to VfM. None of the categorisations are official, fixed or applicable in all contexts or circumstances. Rather they provide an approximate indication of how dominant voices within certain organisations are currently responding to the increasing influence of VfM.

<b>Form of engagement with VfM discourse</b>	<b>Example organisations</b>	<b>Illustrations and reasons</b>
Those that are the leading advocates for VfM	DFID, NZAID, AusAID	Bilateral donors that are the major proponents of VfM
Those that are willing participants in VfM	World Bank	Multi-laterals with a similar mentality to bilateral donors but less incentive to lead with VfM because of limited direct accountability to tax payers
Those with an unclear stance to VfM	Foundations, emerging donors, private sector CSR, some bilateral donors	The role of foundations remains ambiguous – further exploration regarding interpretation of accountability. Gates Foundation very open to investing in R4D and have their own interpretation of VfM. SIDA (2012) have demonstrated a willingness to engage with VfM somewhat differently than most bilateral donors, with alternative, participatory approaches to measurement (Jupp and Ibn 2010). Lack of clear definition from BRIC and other emerging donors (Kim 2012) but initial signs from South Africa that VfM is a mutual, negotiated process between donor and recipient.
Those providing a pragmatic response to VfM	BOND, CONCORD	Network organisations where the top priority is to equip members (mostly NGOs) to engage with VfM in a way that enables them to continue operating effectively.
Those working to re-interpret VfM on their own terms	Christian Aid, Save the Children	Well established INGOs have the capacity to engage at the level of thought leadership and conduct their own research into how they want to interpret VfM – often leading to more holistic / people centred approaches
Those in direct opposition to dominant definitions of VfM	Some academics, commentators and radical civil society groups	These more radical oppositional voices are often from academic critiques of VfM, or from small civil society organisations, or well established groups working in environments where VfM is difficult to determine (fragile states, advocacy, governance)

## 1.5 Learning from the critiques of VfM

*'The risk becomes that donors push NGOs to adopt a transactional approach to aid because of VfM.'*

The final categorisation in the table above of 'those in direct opposition to dominant definitions of VfM' includes those in civil society who are focusing attention on how to operate in their work without ceding to the 'demands' of VfM. Within this group is widespread concern that what constitutes VfM may be more complicated than it initially appears from the definitions of proponents (Ramalingam et al 2008). In addition, those adopting an oppositional stance emphasise the role of ideology for the one allocating value (Morris 2012), and the tendency to fail to consider hidden costs and exaggerate programme benefits (Yates 2012).

Perhaps the most fundamental areas of critique from those opposing VfM is the claim that it promotes a transactional rather than transformative approach to aid (Barder 2012) and the possibility that it promotes private rather than public good (Winch 2012). As Edwards (2009) notes, the focus on growth and short term outputs can detract from efforts to challenge structures and political processes. Similarly, Eyben and Guijt (2012) emphasise the politics of evidence, power, knowledge and the way that 'success' is measured in development programmes. They argue that underneath terms such as VfM there lie 'a world of definitional tussles, values, priorities and world views' (2012 p.1). They are particularly concerned that aid with transformational objectives is 'measured through ways well suited for more transactional aid' leading to narrow definitions of legitimate evidence. This is corroborated by Roche (2012) who argues for 'taking seriously the move from transactional to transformational change' suggesting that it is necessary to change 'the incentive structures of governmental and NGO agencies by legitimising and recognising long-term transformational change.' Indeed, Darton and Kirk (2011) develop this further in arguing that the current dominant conception of aid as transaction actively removes the transformational foundation of aid. These emphases are well articulated by Cathy Shutt, from the advocacy group Big Push Forward (*conference presentation, September 2012*), who argues that although VfM is '*instinctively attractive*' it is not straightforward to apply in practice:

*'VfM conversations expose questions: whose value and whose money is it, is it about a bundle of rights and responsibilities, or is it about transactional relationships, or long term change in power relationships? The risk becomes that donors push NGOs to adopt a transactional approach to aid because of VfM.'*

However, the significance of such stances is contested by the OECD (2012 p.3) who argue that although 'it is important to agree on whose perspective on VfM to understand, it is also possible to over-emphasise the difference. In reality, everyone wants results'. They go on to identify the varying priorities of donors and recipient organisations but note that both shape the aspiration of 'getting good results and doing so as efficiently as possible in individual projects and programmes in their country'. Whether the differences are over-emphasised or not, the critique of VfM can be utilised as one tool for constructive engagement from the R4D community. This is exemplified through the work of Shutt (2012) who articulates the key questions she believes are required in order to build an effective critique of VfM

in development. This section finishes by considering her questions (originally articulated for development as a whole), linking to the following discussion by reframing them in the context of R4D.

**What is R4D and who owns it?** Is it an investment by a donor with an entitled return, or is it a component of participatory, demand led development?

**What is R4D trying to achieve?** Is it about transactional, trickle down development or transformational change in power relations between donors and recipients?

**Whose values or standards should define R4D?** How should it be decided whether aid funded initiatives are effective or not?

**How does change occur through R4D?** Is it linear and predictable on the basis of past evidence or complex, uncertain emergent and shaped by local contexts?

## 2. Responses for R4D organisations

As has been demonstrated, there is a spectrum of divergent, conflicting and often overlapping responses to VfM from different stakeholders within the international development community. The spectrum does not have distinct categories but rather gradually emerging responses that together capture the dominant trends within the discourse. It is important to understand these trends in order to offer strategic, agile responses for R4D.

There is limited explicit guidance available regarding the specifics of exactly what each donor requires in terms of VfM criteria in R4D and the way in which it influences decision making. However, in considering VfM in R4D it is worth remembering that donor organisations are themselves held to account for the way in which money is spent (as demonstrated through the boxed example of DFID). Understanding the multiple factors that together form the foundation for VfM will help better equip the R4D community to engage with the challenges and opportunities that are presented.

As has been demonstrated, donors have varied but substantial on-going commitment to R4D. The validity of R4D is not inherently threatened by the VfM discourse but its prominence does require new creative forms of engagement. The R4D community needs to learn to demonstrate the unique value of research in tackling the factors that stifle social, economic and political stability and inclusive growth. Far from being threatened by VfM, investing in R4D is the primary means by which VfM can be genuinely achieved. In light of this, the report now focuses on four ways in which R4D organisations can respond effectively to the VfM discourse.

- Learning from other hard-to-measure contexts
- Articulating R4D Theory of Change
- Set customised VfM parameters and processes for R4D
- Addressing and valuing risk

### 2.1 Learning from other hard-to-measure contexts

*'It is much easier for donors to assess VfM when it is about service provision – so the danger is that we will drive more of the NGO portfolio and donor money into service provision.'*



The science of effective valuation is notoriously complex, not least because of the influence of numerous different variables. Put simply, certain development interventions are amenable to clear demonstration of value whereas others are not. Ord (2013) illustrates the former through the way in which the effectiveness of health interventions vary wildly, with the least effective HIV/AIDS interventions producing 0.1% of the value of the most effective. In this instance, VfM is presented a clear and practical issue because, as Ord (2013 p.1) notes, failing to address VfM ‘can mean hundreds, thousands, or millions of additional deaths due to a failure to prioritize.’ Alongside this, the latter group (those working in areas less amenable to clear demonstration of value) provides critique of current articulations of VfM and propose alternative approaches. This includes practitioners and policy makers within those working in advocacy (Tibbett 2011), conflicted affected states (Maxwell 2012), capacity building (Datta *et al* 2012) and governance (Barnet *et al* 2010). Indeed, Lewis (2012) asserts that assessing VfM in advocacy work is ‘the greatest’ of all the unanswered challenges that the sector faces. A similar challenge exists at the country level.

As noted by OECD (2012 p.5), if aid is allocated according to which countries ‘perform’ most efficiently and effectively then inevitably this ‘will mean the more difficult contexts, such as fragile states lose out’ (OECD 2012, p.5). This is developed by Arora *et al* (2012 p.2) who illustrates the need to accept fuzziness in many instances of applying VfM:

*‘It appears to follow that advocates of VfM are fully justified in arguing for and expecting a rigorous implementation of the concept in those cases where its application can be readily supported by available metrics. But at the same time they need to recognise a degree of fuzziness and imprecision inherent in the VfM concept in other foreign aid cases some of which can be of great developmental importance.’*

As Natsios (2010) the former head of USAID famously and provocatively stated: ‘those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable’. Determining VfM is notoriously complex and thus inevitably is prone towards prioritising those areas which can be assessed quantitatively. It is therefore important to engage actively with the question of how to value those things that are ‘hard to measure’. This is encapsulated by the director of an advocacy NGO who noted in interview that:

*‘The way you apply VfM works very differently in different settings, service provision or the transformation of power relations, engaging with things that are harder to quantify ... It is much easier for donors to assess VfM when it is about service provision – so the danger is that we will drive more of the NGO portfolio and donor money into service provision.’*

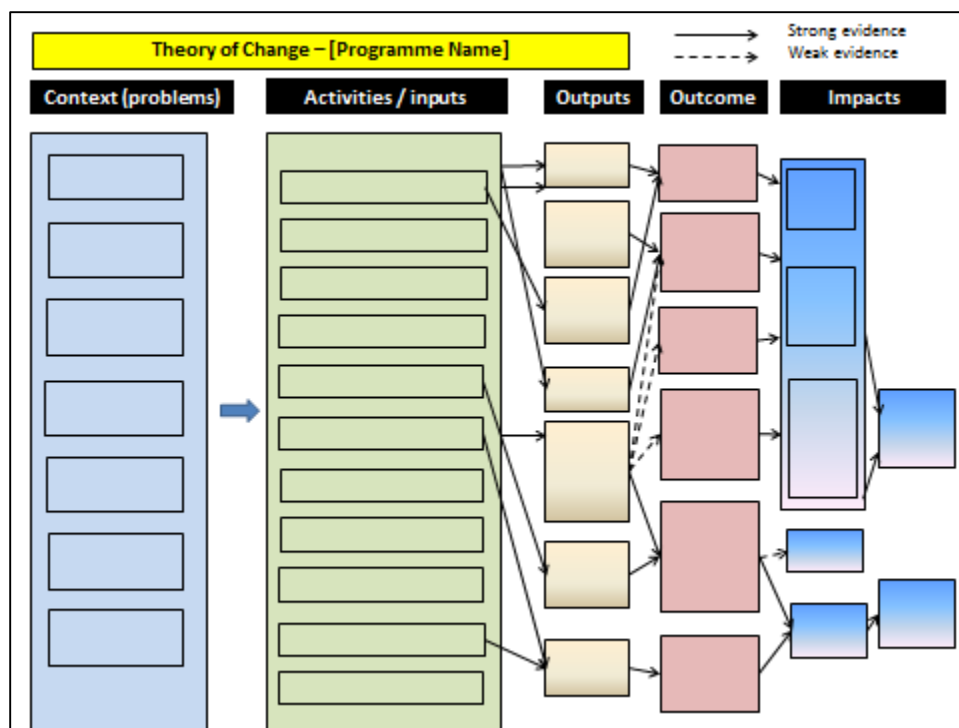
Various sectors of international development are wrestling with the challenge of how to articulate VfM in ‘hard to measure’ contexts. R4D can learn valuable lessons from the experience of how these groups have responded to the issue of demonstrating VfM. Mayne (2008) argues that in such contexts it is more appropriate to think in terms of contribution analysis rather than direct causality, explaining a

methodology for exploring to what extent the programme in questions contributed towards the change seen. This may be more appropriate when assessing VfM in recognition of the complexity of interacting systems and the implications for R4D evaluation. This has been operationalized through the work of two different organisations working to equip the NGO sector. Firstly, BOND, a UK-based NGO network, has responded by producing the 'Improve it Framework' (2012) to 'enable NGOs to assess, manage and report their effectiveness confidently and consistently', giving guidance for how to assess change in different 'hard to measure' contexts. Secondly, Concord, the European-wide NGO confederation (2011) has undertaken considerable work to model the efficiency of advocacy and campaigning, enabling practitioners to demonstrate their value in spite of the measurement challenges.

## 2.2 Articulating R4D Theory of Change

In addition to VfM, the concept of Theory of Change (ToC) also has significant current traction in the discourse and subsequent outworking of international development practice. ToC is used in project and program planning, monitoring and evaluation especially in cases focused on social change. The term can be used to refer to a tool, process or a product. It can be used at a variety of scales to help organisations, programmes and stakeholders to identify what needs to take place in order for their objectives to be met and intended impacts to occur. A ToC will normally be comprised of a diagram and a narrative explanation. The (i) diagram will often be called a causal framework, logic model, outcome diagram or flow diagram. It will usually have five categories: problems, activities / inputs, outputs, outcomes, impact (shorter and longer term). Each of these can be sub-divided and will have associated indicators.

The (ii) narrative for the ToC will have a detailed explanation of all the components of the diagram and will also include detail of the hypotheses, risks and assumptions. It is also important to note that a ToC process is dependent on gathering evidence at each stage through collecting data related to the indicators. Alongside this there is also a role for external evidence collating, demonstrating at each juncture on the diagram how the assumptions made in the ToC can be justified on the basis of previous cases. (for more detail see the Center for Theory of Change ([www.theoryofchange.org](http://www.theoryofchange.org))). The diagram below demonstrates one way in which a ToC may be structured.



Considerable work has been undertaken to explore and explain the significant relationship between ToC and VfM (Guijt and Retolaza 2011, O’Flynn 2012). This is of particular significance to the R4D community, because not only is ToC currently in vogue, it also provides a holistic tool that can be used to effectively articulate research VfM for donor organisations.

Both ToC and VfM are part of the same overarching trend towards increased clarity in programming and quantifiable demonstration of impact. Within this, ToC also provides a means by which to engage with the requirements of VfM. Firstly, having a well-articulated ToC enables the development of effective indicators and demonstrates a causal pathway through a programme. Secondly, it takes complex social change processes and expresses them clearly and logically. Thirdly, it pushes stakeholders to articulate goals early in the process and tie these to associated measurable indicators. The combination of these three factors means that ToC provides a useful foundation for building the systematic evidence-base that is required in demonstrating VfM.

Undertaking effective R4D work requires beginning with a ToC, or a similar articulation of the anticipated process, which it can be assessed against, detailing associated ‘assumptions and risks’ and mapping the contribution made. However, there is an on-going challenge to navigate the relationship between a ToC and a clear evidence base. This issue is explored by Stein and Valters (2012 p.12) and their analysis is worth sharing at length:

*‘Many donors both emphasise evidence-based policy and require ToCs from their grantees. While pairing these approaches may be a way to develop more rigorous policy and practice, in reality these seem to be headed on divergent courses. As undertakings such as DFID’s Research for Development portal build*

*databases of systematic evidence reviews, projects based on ToC often rely more on conceptualisation and narrative than evidence. Clearer ways of assessing the value of different forms of evidence, including formal research and lived experience, are also needed. Bridging the disconnect between many different approaches may require a more fully developed understanding of the role of evidence in ToC.'*

Tembo (2012) emphasises the need for constant critical and reflective engagement with broad ToCs, analysing them so that learning can be fed back into the development of more specific and issue-based theory. This is significant for research organisations because, as donors seek to achieve VfM from their interventions, they are implicitly asking for those delivering interventions to engage heavily in research and analysis throughout, in order to ensure that it stays 'effective' in specific contexts. As Tembo (2012 p.34) expresses:

*The starting point in such projects is often broad theory and assumptions as to how change happens: it is not possible to develop a specific 'off-the-shelf-and-run-with-it' ToC that is useful in different contexts. The ToCs that are appropriate ... are largely emergent and transformative in nature. They should hence be subjected to a continuous process of construction and deconstruction, to improve knowledge on what works and does not work and the circumstances under which these changes take place. The hope is that repeated cycles of action and reflection, while challenging previously held assumptions among project teams and partners, will also improve ways of working in different contexts and hence the efficiency, effectiveness and impact of interventions.'*

Significant voices within the R4D community have conventionally emphasised 'philosophies and principles' rather than 'evidence'. There is good reason for this well established emphasis but there is benefit in introducing an additional element to the narrative, including the language of evidence more explicitly. Building bridges and speaking the language of the donor is central to success: it is vital to understand what donors are committed to achieving and then demonstrate value within these objectives, aligning the R4D agenda, proposals and programmes intelligently with their agenda. As Grob (2012) notes, researchers, or those wishing to promote their interpretation of findings, will need to invest in showing their ability and skills for classifying something's 'value'.

ToC has the potential to directly connect and embed evidence into the logic of an R4D program, working to provide statements aimed to make underlying assumptions explicit, and also bringing hidden costs and challenges to the fore. For those concerned by the simplicity of solely VfM metrics for R4D, engaging with ToC enables complexity to be embraced rather than discredited. ToC is a tool that facilitates a departure from simplistic assessments of value while retaining a focus on evidence building and thus it provides a valuable reference point for R4D in legitimising the place of uncertainty and multiple causalities (James 2011, Vogel 2012). This provides positive response to Chelimsky's (2012) critique of VfM as linked to the broader tendency to favour a single narrative of assessment in place of more rigorous analytical methods. He argues (2012 p.79) that 'we are seeing increasing numbers of

government programs and policies that embody a single idea, or posit a simple, one-on-one cause-and-effect relationship, both of which are established, not by dint of a preponderance of evidence'. ToC provides opportunity for the R4D community to engage with VfM and define it in its own terms, providing holistic evidence without succumbing to the 'single narrative of assessment' that is sometimes associated with the discourse.

### Creating an evidence base for R4D

There is substantial evidence based for the importance of investing in research and development (R&D) to increase productivity at both a national and corporate level. R&D is increasingly recognised as having a central role in driving the private sector (Edworthy and Wallis 2006), as a highly efficient use of resources for long term profit generation (Gulogul and Tekin 2012), and even as the foundation of societal development (Harford 2012). In the light of this, The European Commission's Lisbon Strategy (2010) is working to increase research spending in order to 'help European companies innovate and stay competitive ... and to keep improving the European way of life'. They argue that achieving their key objective of increasing the investment in research from 2% of GDP to 4% of GDP would have a significant impact on long-term growth and employment.

This broad context provides a valuable tool when transferred to considering the specific evidence base for valuing R4D. Indeed, much of the work to demonstrate the value of R&D in both the private and public sectors can be used to indirectly strengthen the case for R4D. There are multiple examples of this, including a study from Hitt *et al* (2011) that emphasises the value of research even when not contributing directly to business needs, from Srinivasan *et al* (2011) arguing for the importance of maintaining spending on R&D even in the midst of recession, and from Koh *et al* (2012) emphasising the need for long term investment into research effectiveness, arguing that an over-emphasis on short term value within research actively undermines the potential long term benefits. Also striking in this regard is a study from Knott (2012) that suggests most companies would benefit by spending more on R&D. She emphasises dangers of short-termism and the ease of cutting research budgets in order to produce instant profit, nothing that the negative effects will be felt years later. Knott goes on to argue that many companies make the mistake of investing in advertising and physical capital at the expense of R&D because their returns are more quantifiable. This has poignant implications for R4D, with striking parallel pitfalls and opportunities.

There are many instances in which this overall evidence-base for investing in R&D is also seen in encouraging donor commitments in R4D. This could be illustrated through numerous different donor statements but it is expressed succinctly here by AusAID, offering a clear rationale for investing in R4D as part of the long term building of the evidence case for development:

*'Practical research helps to inform where and how our own and our partners' resources can most effectively and efficiently be deployed. A robust and relevant knowledge base provides the evidence we need for sound development policies and programs. AusAID funds many different types of research to answer a wide range of development challenges in our partner countries, to assist us to monitor development impact, and to better target programs'*

## 2.3 Set customized VfM parameters and processes for R4D

As previously noted, BOND, adopt a pragmatic definition for VfM and rather than focusing on the damaging possible consequences they suggest that it actually provides an opportunity (BOND 2012, p.6) to engage with:

*‘By engaging proactively with the value for money agenda, UK NGOs have the opportunity to develop, test and promote the approaches that work best for the sector and help shape the use of the concept in international development.’*

In response to the frustration regarding the definition of VfM and recognition of the need for more flexibility, several leading INGOs (see CARE 2011, World Vision 2012, Christian Aid 2012) have followed the path suggested by BOND and adopted a proactive approach to interpreting the VfM discourse by framing and articulating it on their own independent terms, seeking to provide clarity in the midst of ambiguity. World Vision (2012) acknowledges the risks related to VfM and have also chosen to proactively interpret it on their own similarly terms: articulating it as ‘maximising long-term value for the most vulnerable children with the available resources’. Once again, the important aspect of the definition is that it seeks to broaden the terms of engagement, focusing on the long term rather than short term in order to avoid focusing on symptoms rather than causes (this is further explored in the case study documenting the experience of the NGO Christian Aid).

The R4D community can learn from the example of the INGOs that have chosen to articulate ‘this is what VfM means for us’. The ambiguity surrounding the application of VfM should be seen as an opportunity to shape the agenda and define it on favourable terms. There is positive opportunity for the R4D community to proactively engage with defining VfM in a way which makes it a constructive tool with clear parameters that works to promote and build the evidence base for R4D. It is therefore important that the R4D community is equipped with the tools to critique certain interpretations of VfM and engage with alternative definitions and approaches.

The approaches being adopted by INGOs in this regard provide an important example for the R4D community as it seeks to engage with VfM, demonstrating the potential for broader, self-defined articulations of VfM to gain traction and credibility. The contribution of these INGOs in articulating their own vision of VfM can be summarised with the following principles, each of which are adaptable for the R4D community:

- Start planning for measurement from the outset
- Focus on measuring long term change over short term change
- Measure what matters rather than what is easy to measure
- Measure what is valuable to beneficiaries
- Recognise that sound internal management and business practices are part of VfM
- Work with the most vulnerable even though this is inevitably more costly
- Commit to collaboration and do not allow VfM to lead to greater competition between INGOs
- Engage in carefully reasoned risk and balance this with potential impact
- Recognise the importance of efficacy and equity alongside economy and efficiency

In addition, the R4D community could work to develop initial research criteria that could be established at the beginning of a funding agreement for research, with bespoke indicators relevant for the specific programme that demonstrate whether they have been attained. The guiding principles could commit the R4D community to ensuring that research programmes articulate their process for ensuring VfM (see appendix 1). The importance of articulating such a framework for VfM was explained by an IDRC staff member as she outlined the reasons for the challenges encountered on a particular programme:

*‘One of the issues was that we hadn’t established the categories to establish VfM at the outset. It was 2007 when it started so it wasn’t such a big deal with DFID then – so we had to try and do it retrospectively. VfM can be approached and understood in so many different ways. You can choose to focus on assessing whether there was VfM in the procurement process, in the grants, others say you have to wait until final impact, or looking at all the budget. The thing is that if you don’t have the conversation about when you’re going to assess VfM and what you are choosing to assess then it is very difficult ... You need to decide these things early on otherwise it is very difficult.’*

*‘VfM can be approached and understood in so many different ways ... You need to decide these things early on otherwise it is very difficult.’*

Eyben and Guijt (2012) make a useful contribution, recognising the challenge of ‘hard to measure’ contexts, but adopting an engaged rather than oppositional response. They focus on the need to proactively develop tools that can measure transformative development projects effectively in a way that fits within VfM. As they state: ‘we need better ways of ‘measuring’ transformation –to assess in ways that are respectful, fair and useful about the changes being experienced and can enable the design of programmes that support positive social change’. SIDA has demonstrated encouraging activity in this regard in the transformational positioning of their R4D programmes. They are committed to using funds for **building research capacity at developing world universities** and have emphasised that they consider the most effective way to ensure strong RoI is to prioritise building research capacity in the developing world (SIDA 2009, Gansberghe *et al* 2011, Thulstrup *et al* 2006).

#### **In depth: Christian Aid re-articulating VfM**

In conversation with Christian Aid, the UK-based NGO, it becomes apparent that over the past few years they have felt increasing pressure to demonstrate VfM from their donor partners. They explain how DFID, their donor, require that Christian Aid provide clear demonstration of the link between their model of change and the impact that they are having, so that DFID in turn can better understand the RoI from the partnership. As a result, Christian Aid decided to develop a series of publications (Christian Aid 2012) in which they present their own interpretation of VfM. The key component of their interpretation is the explicit decision that ensuring VfM does not mean concentrating only on immediate human needs but also requires altering the larger structural elements of poverty. In assessing this re-articulation of VfM, Shutt (2012 p.1) suggests that the valuable contribution of the Christian Aid interpretation is that it:

*‘makes clear that VfM judgements require deep understandings of context that go way beyond simplistic comparisons of unit costs ... it provides useful insights into how VfM can be interpreted in ways consistent with the empowerment objectives*

*of voice and accountability initiatives.'*

Christian Aid has engaged as an organisation with the best way to accommodate the 'economy, efficiency and effectiveness' of VfM approaches while retaining their distinctive ethos and values. They make explicit (Christian Aid 2012) the intention to '*maximise efficiency yet do so in a way which is in line with their philosophy and their strategic aims*'. The lessons from the process are well articulated by Jake Allen, Christian Aid Programme Manager (Governance and Accountability):

*'It is important to recognise that there is no set way of how to go about VfM – for any research organisation, there is an open door for them to explain what they consider VfM in research to mean, to shape that agenda and position yourselves ... The lack of clarity around VfM is an advantage – it means you can make it work for you, play the game, give a nod to both sides of the argument ... The perspective we chose is one we believe in. It has been making explicit what has always been implicit. We do all these different types of analysis – the important thing is to help people realise that they are already doing the thinking behind this - already doing most of it, they shouldn't be scared of it, it is just a different way of articulating it ... Now that we have a clear position articulated on VfM and have spelt it out a bit more clearly, it means that when we put in a bid we can be very clear about the VfM section – we can now play their game a bit better and play it on our terms.'*

## 2.4 Addressing and valuing risk

Many donor organisations, and the individuals working within them, have a well-established commitment to investment in R4D. The research for this study suggests that donors may be as keen as the R4D community to find a way of justifying this investment within the new language of VfM. Indeed, DFID and groups commissioned by them have conducted considerable work regarding how to maximise the benefits of their research and use it to develop an evidence base (DFID 2010c, Carter and Paulus 2010, IDS 2012, Girdwood 2012).

*'We are not risk averse – we are risk seeking in what we will fund, as long as there are potential rewards. We get criticised for spending so much on research but we are committed to it because there is such potential for significant returns.'*

Indeed, within discussions of R4D, there is informal recognition from individuals within donor organisations that risk is inevitable. This is illustrated well by a DFID economic advisor who explained:

*'We are not risk averse – we are risk seeking in what we will fund, as long as there are potential rewards. We get criticised for spending so much on research but we are committed to it because there is such potential for significant returns. But alongside our risk appetite – with the money we are investing into research we need to see that it is a calculated risk, it needs to be standard good management: what is the likely pay off, what is the probability of that, what have you put in place to mitigate against the risk.'*

Barder (2012 p.1) emphasises this, and goes further, asserting that supporting 'experimentation' and 'new ideas' should be prioritised over presenting appealing results:



*‘We have to support developing countries to experiment, to test new ideas and approaches, track the overall effects, and then be ready to help them to adapt as they find out whether they are heading in the right direction.’*

It is clear that individuals within donor organisations are not closed to the possibility of such alternative approaches that embrace experimentation and engage with risk. Indeed, when asked how to approach VfM in an R4D environment, a staff member of a donor organisation explained clearly that:

*‘The best way to approach research VfM is by having a portfolio of risk. It would be slightly false and overly ambitious to suggest that you could have a 40,000 USD research project with clear VfM indicators attached to it. A more realistic approach would be to say, yes, we have a portfolio for research of 1,000,000 USD, some of these are going to do very little but some of them are going to be game changers’*

The willingness to engage with risk as a portfolio was again encouraged by another donor staff member who explained in specific relation to R4D:

*‘We do have parts of our portfolio that are more risky, our ‘frontiers research’ that is more innovation focussed etc. We are willing to take a punt on unknown unknowns – we don’t want to only fund low risk things but it is important to spread the risks.’*

In light of this, there may be an opportunity to consolidate the importance of R4D by transitioning to a VfM assessment process which is primarily based on portfolio rather than individual programmes, embraces risk, and recognises that failure is a vital part of the learning process (Collier 2008, Laugharn 2012). This perspective is well articulated by Tim Boyes-Watson, Director of Mango (pers. comm 2012). He argues that a shift in mentality is required, with an explicit recognition that at the outset of a R4D programme no one can fully know what will happen: risk is inherent, and therefore it would be foolish to judge any single project on whether it fails or succeeds. He suggests that a ‘portfolio’ approach is more appropriate which assumes from the outset that within, for example, a group of 20 research projects, perhaps one or two will be successful and the rest will fail. The few that do succeed are likely to instigate substantial change and provide a high RoI: thereby justifying the investment in all those that did not.

*‘A portfolio enables donors to invest in riskier, high-return projects’*

The R4D community would benefit from exploring this mentality in greater depth as a tool to help donors reconceptualise the way they assess VfM in R4D. Such approaches would enable donors to recognise the value of more innovative, risky research initiatives and promote them on the basis of the potential for exponential impact: the things that have the potential to instigate exponential change also have a high risk of failure. Once again, the argument is well articulated by Barder (2012 p.1) who asserts that a portfolio approach enables investment in more risky development interventions. He argues that it is vital to:

*‘Make choices about portfolios, not each aid project individually. A portfolio enables donors to invest in riskier, high-return projects (because the risks are diversified across the portfolio) which they might not support if they consider each project separately’.*

A similar approach is explained by Green (2012), regarding Oxfam’s work in Tanzania where they were awarded DFID funding for a ‘venture capitalist’ approach to their programme (meaning that it was funded on a similar logic to venture capitalists of 10% chance of success, with more than x10 RoI from that 10% that is successful). However, Green (2012a p.1) expresses the challenge of taking this further:

*‘We would love to do more of this, but the problem is that DFID’s willingness to fund an experimental programme of this kind, with lots of (relative) failures expected, is exceptional. Most funders want to see, in advance, a plan with a set of activities and intended results, against which the recipient’s performance can be evaluated.’*

Despite the noted verbal encouragements, and occasional example of innovative portfolio funding (such as through Oxfam above), this is seemingly significantly removed from being institutionalised by the major bilateral donors – with little substantive reference in formal documents.

There is therefore opportunity for the R4D community to work to communicate this kind of approach to donors and make it both palatable and compelling within the context of international development research. There may be lessons to learn here from the example of some international foundations which have demonstrated willingness to engage explicitly with more innovative, risk-embracing approaches. In regard to Foundations, Laugharn (2012) advocates for increased risk taking and diversification in project portfolios, making the case that even in the midst of widespread failure, knowledge is created and therefore the investment may still be worthwhile. Illustrative of this is the four foundational values of the Gates Foundation (2012), the fourth of which is ‘innovation’. They are explicit about the central importance of innovation and calculated risk taking:

*‘We believe that many of the most intractable problems can only be solved through creative and innovative solutions. In pursuit of these, we embrace risk and learn from failure, helping others to avoid the same pitfalls in future. We strive to remain focused, strategic and calculated in our risk-taking, as we challenge convention, question assumptions and confront stereotypes.’*

The R4D community can learn from this, transitioning to a context where a culture of calculated risk taking is positively embraced. This requires a more nuanced approach than simply acknowledging the commitment to learn from mistakes and failures. Instead this process should be embedded throughout the ToC as a core component within the impact process. In addition, rather than simply acknowledging failure as inevitable, a programme can work to proactively learn from failure as an anticipated and necessary component of authentic innovation, in this instance through R4D. This in turn can be proactively incorporated into understandings of what constitutes good VfM as part of complex systems based approach.

### 3. Further work on assessing VfM

*'The true test of research is whether people use it – for reference, for influence, and most importantly, for change.'* (DFID 2013)

This paper makes several suggestions on articulating the merit of R4D through a VfM perspective. However, it does not directly address the increasingly politicized environment in which VfM assessments are used to make funding decisions or the power relationships that exist between donors and beneficiaries. It therefore closes with suggestions for potential next steps, further research and key steps for engaging with VfM in R4D. These are supplemented by the 'research framework – commitments to impact' that is included in the appendix, which provides a tentative indication of the kind of approach that could be used at the outset of an R4D programme in order to demonstrate that the proposer has engaged thoroughly with the question of how best to determine and deliver VfM.

- First, advocate for policies and approaches that recognise the validity, within R4D VfM, of multiple approaches to valuing, 'not acceptance of all methods, but an endorsement of a limited subset with sufficient variety to cover the major valuing contexts'. (Jules 2012 p.115)
- Second, consider the potential to follow the example of Christian Aid and engage proactively with defining and interpreting VfM in terms that are sensible within the R4D context. This would involve, among other things, decisions regarding which of the 'E's' to emphasise most strongly in different contexts.
- Third, recognise the politics of evaluating value (Alkin et al 2012) and the necessary steps to build a comprehensive evidence base (Eyben and Guijt 2012) that also makes space for unintended consequences within VfM of R4D.
- Fourth, engage with the question of how to advocate for and operationalize a portfolio based approach for donors to assess VfM in R4D, considering the plausible means by which to identify the probability of success and associated risks.

Finally, the study closes by offering an example of some shared questions that can be asked at the outset of an R4D programme in order to ensure shared expectations regarding the way in which VfM is going to be assessed. The specific criteria could be determined collaboratively at the outset of a research project and when retrospectively assessing VfM.

#### Assessing VfM in research

Questions to determine at outset and engage with throughout the programme:

1. How will we know if the process has been efficient? (cost, time, resources)
2. How will we know if the actual outputs matched the intended outputs?
3. How will we know if the research has provided quantitative VfM? This could include search engine results, citations in journal publications (with necessary caveats) mentions in news (national and international), mentions in policy reports, conference papers.
4. How will we know if the research has provided qualitative VfM? This could include evidence of increased awareness, influence in policy making, anecdotes / stories of impact.
5. How will we assess the VfM of the broader outcomes and impacts? This could include contribution to instigating desired change, gathering the community perspective, and consulting

recognised 'wise heads' who can understand the research context and give their qualitative assessment.

Potential output indicators for research value:

- Perception of research value among participating community (indirect beneficiaries)
- Number of publications and quality of publications
- Number of citations per publication in official peer reviewed journals
- Number of citations per publication through informal publications
- Footprint on social media (linked blogs, twitter etc through use of appropriate analytics tools)
- Press coverage of the research
- Wise-heads (recognised sector leaders) perception of research impact: how much has this research shaped thinking, policy and practice in the sector?

From initial questions and indicators such as those above it is possible to develop a comprehensive rating system categorise the significance of each indicator in different circumstances, and use this to build an overall assessment of value.

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## Appendices

### Research framework – commitments to impact

This framework is an initial indication of the kind of approach that could be used at the outset of an R4D programme in order to demonstrate that the proposer has engaged thoroughly with the question of how best to determine and deliver VfM within the programme. Such a framework would involve a participatory exercise with buy-in from all stakeholders at the outset of research process as an embedded component within the planning process. This list of key commitments is adapted from DFID's commitments to research (2012).

<b>Key commitment in our research</b>	<b>The specific way this commitment will be measured / assessed within this research programme (quantitative and qualitative indicators)</b>	<b>How will this be undertaken within this research programme?</b>	<b>When will this happen and who will ensure it happens?</b>	<b>What are the challenges that we need to be aware of in approaching this commitment?</b>
The research is used for maximum reference within and beyond the research community, influencing and instigating wider change in society.				
The research is made available, accessible and useable by as widespread an audience as possible, disseminated through all available means.				
The research is communicated in a way that is strategic and purposeful, with researchers make use of all possible channels, engaging different audiences with the appropriate media (including social media).				
The research is used wherever possible to				

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bridge the gaps in information flows between national and international researchers and policymakers.				
The research is used wherever possible to increase communication between academics, development policy makers, international media and international non-governmental organisations.				
The research is used to integrate national researchers with international networks and international debates.				
The research is made fully Open Access, with full text of any articles, technical reports and conference proceedings made fully accessible to everyone, with research results distributed as widely as possible.				

## Additional useful references

*These additional resources informed the study but are not cited directly within the report.*

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